

**SURVEY of
DEPARTMENT of STATE
HUMANITARIAN MEDICINE DISTRIBUTION
PROGRAMS in ARMENIA**

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Introduction

This report analyzes US Department of State (DOS) medicine distribution programs in Armenia. The purpose of the analysis is to evaluate whether DOS programs are vulnerable to the same type of abuses which have been alleged about humanitarian medicine distribution programs run by the Ministry of Health of the Republic of Armenia.

The programs were examined in accordance with the statement of work shown in Annex 1. Interviews were conducted with a number of stakeholders, combined with site visits to warehouses and participating healthcare facilities (see Annex 2 for a complete list of contacts)¹.

This report is organized in four sections. The first outlines the criticisms of Ministry of Health programs. The second describes in detail the procedures employed by the DOS grantees which conduct medicine distribution programs in Armenia. The third contains observations from other stakeholders, and the final section presents conclusions regarding the vulnerability of DOS programs.

Criticisms of Ministry of Health Programs

The Ministry of Health has come under criticism in recent months regarding its handling of medicines donated for humanitarian aid purposes. Determining the validity of such criticisms is beyond the scope of this report. However, valid or not, the criticisms do illuminate problems which could befall any humanitarian medicines distribution program. Thus, the following paragraphs will review the recent criticisms and draw from them issues to be used as a basis for analysis of DOS humanitarian medicine distribution programs.

Since the 1988 earthquake, medicines for humanitarian distribution have regularly been donated to Armenia. This process has always been coordinated by the Ministry of Health, which in many cases, though not in DOS-run programs, receives the medicines directly and is responsible for its distribution through state-run healthcare facilities.

Medicines received directly by the Ministry of Health are deposited in its central warehouse for subsequent distribution. Donors and the Armenian public expect that the humanitarian medicines will be distributed to the population in a timely manner and allocated on the basis of need. However, such distribution requires accountability, organization and financial resources which the Ministry is sometimes lacking. Being in regular contact with a cross section of Armenia's healthcare facilities, DOS distributing organizations have received a great deal of anecdotal information regarding the failures of the Ministry of Health's humanitarian medical distribution programs.

¹ The statement of work calls for an examination of all DOS programs conducted between 1998 and 2004. However, data for years prior to 2001 was not available. During these years, only UMCOR ran distribution programs, either their own or in collaboration with another organization, CitiHope. Unfortunately, UMCOR was unable to locate reports from that period and none of their current employees was present during those programs. Therefore, all analysis pertains to program activity between 2001 and 2004.

The distributing organizations have heard reports of disarray at the Ministry's central warehouse from which humanitarian shipments are distributed. Healthcare facility managers say that warehouse inventory is not properly cataloged making it laborious to locate wanted items. As a result, a significant amount of humanitarian medicines have gone un-distributed or been distributed past their expiry dates.

Furthermore, there are anecdotal reports that the Ministry-run humanitarian distribution programs are not properly systematized. Some critics maintain that allocations are made on the basis of personal relationships between Ministry officials and healthcare facility managers rather than well-publicized, objective criteria.

A second line of criticism of the Ministry's handling of humanitarian medicines relates intentional withholding of supplies from distribution in order to increase demand for the same types of medications which are sold commercially. This complaint is detailed in a series of articles published by the Investigative Journalists of Armenia organization. The articles appear on the organization's Web site and are dated between March and August 2004 (see Annex 3 for full text). The articles allege that a Ministry official, who was also the owner of a business which was a major commercial importer of medications, intentionally withheld humanitarian medications from distribution, allowing them to go past their expiration date. The purpose of the withholding was to increase demand for the same medications which were being imported commercially by this official's private company. This abuse was alleged to have occurred during the sixteen month between August 2001 and November 2002. During that time, the articles report, nearly 1 billion drams worth of medications stored at the Ministry's humanitarian medications warehouse went past their expiry date. This compares to 139 million which expired in the eight months prior to this period and 40 million in the year following it.

The article also reports that the same Ministry official appropriated humanitarian medications to a state health care facility which was, in fact, not operating. The allocation was presumably made in order that the medications might be sold commercially.

Department of State Programs

Currently, three distributing organizations implement DOS humanitarian medicine distribution programs in Armenia: International Relief and Development (IRD), the United Methodist Committee on Relief (UMCOR) both of which are headquartered in Washington, DC, and, the World Council of Hellenes (SAE) which is headquartered in Chicago, Illinois. Both IRD and UMCOR have full-fledged country offices in Yerevan which operate programs in multiple sectors in addition to these humanitarian medicine distribution programs. SAE operates in Armenia through its wholly-owned subsidiary, the Greek Medical Hypocrites Foundation.

The distributing organizations serve a variety of types of healthcare facilities, ranging from large municipal hospitals to rural primary-care ambulatories. UMCOR and IRD both have a considerable number of client facilities in every marz, whereas the much smaller SAE program is concentrated in Lori Marz.

Facility Selection

The distributing organizations have served an average of 306 healthcare facilities per year over the past four years. The current number stands at 336. The number of facilities served by each organization is presented in Table 1.

Table 1

Facilities Served				
	2001	2002	2003	2004
IRD	75	154	167	146
UMCOR	155	142	182	165
SAE	-	-	18	25
Total	230	296	367	336

Source: Questionnaire administered to DOS distributing organizations

For UMCOR and IRD, facility selection was completed for the most part during an intensive effort at the start of the project, with a few facilities being added and dropped during the course of each subsequent year. Additions generally occur when a new facility initiates contact with one of the distributing organizations. UMCOR, having first started in 1998, already had an established list of institutions when IRD first began distribution in 2001. Since working simultaneously, both organizations have coordinated closely to avoid duplication of effort. There are some cases, however, when both organizations serve the same facility. This occurs only when the assortment of medications offered by only one organization does not fully meet the facility's needs.

When initially evaluating a facility for inclusion into the program both organizations conduct an evaluation visit and complete an information gathering form. A sample form from UMCOR is included in Annex 4. IRD's form is similar with the exceptions that they do not gather data on overall patient profiles and specific requirements for medications.

SAE based its initial selection on recommendations from the Lori Marz office of the Ministry of Health. The recommendations contained institutions within the marz which were not already participating in humanitarian medicine distribution programs. Similar to the other organizations, they occasionally are contacted by new facilities wanted to be added to the program.

Healthcare Facility Contracting

For inclusion in the program, the healthcare facility must agree contractually to the conditions put forth by the distributing organizations. All three organizations have a standard contract for this purpose. The most brief of these contracts is UMCOR's (see Annex 5). IRD and SAE contain the same basic points as the, but with additional detail. The main points in all contracts are:

- in-facility notification to patients of the opportunity to receive free medications;
- free-of-charge distribution;
- separate, appropriate storage conditions for received medicines;
- use of official prescription forms;
- maintenance of inventory journal;
- monthly reporting on consumption.

According to IRD, nearly all willing healthcare facilities in the country are included in the program of at least one of DOS's distributing organizations. Those not included are typically institutions with few patients who meet distribution criteria, or with management not willing to put forth the effort to manage the program.

Occasionally, healthcare facilities are dropped from the programs either for failure to comply with program conditions or for low consumption of medicines. The facilities dropped over the past four years are shown in Table 2. In the case of IRD, the most of the 15 dropped in the were for failure to comply with program rules. All of those dropped in 2004 were for low consumption.

Table 2

Healthcare Facilities Dropped from the Program				
	2001	2002	2003	2004
IRD	15	0	0	20
UMCOR	3	1	0	0
SAE	-	-	0	0
Total	18	1	0	20

Source: Questionnaire administered to DOS distributing organizations

Ordering of Medicines

The process of determining which medicines are sent to the DOS distributing organizations involves regular communication with supplying agencies. The DOS distributing organizations formulate at least once per year a "wish list" containing medications which are highest priority for distribution. All three distributing organizations indicate that their wish lists are formulated based upon knowledge of demand learned during ongoing distribution activities. Current consumption is the most important guide, but healthcare facility managers also make requests for new medicines from time to time.

Actual orders are placed based on specific offers from supplying agencies. Order fulfillment is not always precise. For example, IRD and SAE report that on occasion they have had to take

receipt of medicines which were not on their wish list, but were sent because they were bundled in the same shipping container as some other medication which they did want. Both organizations report, however, that they are able to deal effectively with such inconveniences and they are not a major problem for the supply process.

All distributing organizations report that they occasionally make special contact with healthcare facilities in order to gauge demand when some new type of medication is being offered by the supplying agency.

In the past year, the Ministry of Health had required all importers of humanitarian medicines receive prior approval from it before making shipments to Armenia. The distributing organizations report that this has been a useful coordinating step and not hindered the process of importing medicines.

Customs Clearance and Warehousing

Customs clearance of humanitarian medicines is now a routine process for all distributing organizations. As with all medicines, whether commercial or humanitarian, import permission from the Ministry of Health is required in order to execute customs clearance. Unlike medicines imported for commercial purposes, the Ministry can grant import permission for humanitarian medicines even if they are not on the national list of approved medications.

In addition to Ministry approval, the distributing organizations also obtain letters from the US Embassy testifying that the shipments are tax exempt in accordance with US-Armenia agreements. SAE takes the additional step applying to the Humanitarian Aid Central Commission for a letter testifying to the tax exempt status of the medications being imported.

Table 3 shows the total amount of medications imported by DOS distributing organizations for the four year period between 2001 and 2004. Quantities in the table are reported as “units of medication” with each tablet, capsule, tube, etc. counting as one “unit”. Naturally, the medications are distributed in larger packages containing, for example, 1,000 capsules each.

Table 3

Units of Medication Imported					
	2001	2002	2003	2004	Total
IRD	5,681,807	6,149,799	7,502,920	1,404,290	20,738,816
UMCOR	1,445,582	650,066	1,458,886	880,831	4,435,645
SAE	-	-	-	1,582,520	1,582,520
Total	7,127,389	6,799,865	8,961,806	3,867,641	26,756,701

Source: Questionnaire administered to DOS distributing organizations

SAE began distribution operations in September 2003, with its initial inventory transferred in-country from IRD. It began importing for itself in 2004. Over the four year period, nearly 26

million units of medication have been imported by the DOS contractors, with Year 2004 showing a marked reduction from previous years.

All distributing organizations employ rented warehouse space which is staffed by direct employees. Disbursement from the warehouses requires approval from the manager of the medical distribution program. It is important to note that in the cases of UMCOR and IRD, the warehouse manager is administratively responsible to the organization director and not to the director of the medicine distribution program. This serves as a useful division of power which lessens the possibility that warehouse people might be coerced into committing procedural violations or vice versa. As SAE's program is much smaller, it isn't practical to make such a division of responsibility. Therefore, the organization director doubles as the distribution program manager.

Distribution to Healthcare Facilities

Upon the receipt of new shipments of medications, mass distributions to all healthcare facilities are organized by UMCOR and IRD. When medications quantities are sufficient, such mass deliveries occur three times per year. SAE always requires representatives of the healthcare facility to come directly to the warehouse for pickup.

Specification the delivery variety and quantity is the responsibility of individual program monitors. During mass delivery events, the monitors use historical consumption data and feedback from healthcare facilities to determine the amount to be sent to each facility. Before executing the delivery, the monitors contact the healthcare facilities by telephone to ensure that they agree to accept the shipment.

The steps of distribution process are signature verified to varying degrees by each of the distributing organizations. IRD's process is the most thorough, requiring a total of six signature verifications in the process:

1. by the monitor, signifying initiation of the order;
2. by the program manager, signifying approval of the order;
3. by the warehouse manager, signifying handover of the parcel to the monitor;
4. by the monitor, signifying acceptance of the parcel from the warehouse;
5. by the monitor, signifying handover of the parcel to the facility employee; and,
6. by the facility employee, signifying acceptance of the parcel from the monitor.

Thus, IRD requires a single person, the monitor, to follow the process from start to finish. This is useful in that it lessens the chances of miscommunication throughout the process and, with the exhaustive number of signature verifications, provides the clearest chain of accountability.

UMCOR's process involves fewer signature-verified steps (see Annex 6):

1. by the program manager, signifying approval of the order;
2. by the warehouse manager, signifying dispatch of the parcel;
3. by the delivery person, signifying handover of the parcel to the facility employee; and,

4. by the facility employee, signifying acceptance of the parcel from the monitor.

Furthermore, even though the order is originally specified by the monitor, he or she is not required to perform a signature verification at any step of the process nor to personally follow the each step of the process. In fact, unlike IRD, the after the point of order approval, the delivery process is typically handled only by warehouse staff.

SAE's process is shortened because the facility employee picks up the parcel directly from the warehouse, thus only three signature-verified steps are employed:

1. by the program manager, signifying approval of the order;
2. by the warehouse manager, signifying handover of the parcel to the facility employee; and,
3. by the facility employee, signifying acceptance of the parcel from the monitor.

By comparison, IRD's methodology affords the highest-level of documentary accountability. Though in practice none of the organizations has experienced significant problems through its chain of events from order initiation through delivery to the health care facility.

In-between mass distributions, replenishments of supplies for individual healthcare facilities are made on an as-requested basis. Requests are usually phoned into the distributing organizations or made during the course of regular monitoring visits. The supplies are either picked up at the warehouse by the healthcare facility or delivered by the monitors during regular visits. In any case, the documentary procedures are the same as described for mass deliveries.

All distribution organizations require that the facility accepting distributed medicines be constituted as juridical entities. However, some of the smaller participating facilities are subsidiaries of large institutions and thus do not have juridical status. Experience has shown that providing medicines to parent organizations for re-distribution to subsidiaries is not reliable. Therefore, the distributing organizations require that physical delivery be made directly to the subsidiary organization and that the documentation for acceptance be signed by the director of the parent organization.

The distributing organizations, allow for return of medicines by the healthcare facilities if there is a danger that they might not be consumed before expiration. When accepting returns, however, they do require that the medicines have enough time left before expiration in order to be re-distributed to another healthcare facility. Also, the distributing organizations also cooperate amongst themselves by sharing medicines with each other in order to even-out supply.

Dispensing, Healthcare Facility Record Keeping and Reporting

DOS-provided humanitarian medicines may only be provided to patients who fall into the target groups identified by the distributing organizations. The list of target groups for UMCOR and IRD programs is:

- disabled persons;

- patients with chronic diseases;
- families of military persons killed during war;
- war veterans;
- refugees;
- all children;
- all members of families with more than four children;
- all pregnant women; and,
- all retirees.

There are the following differences in SAE's list of target groups:

- only class I and II disabled persons are allowed;
- single retirees living with family are excluded;
- families with three children are included;
- single mothers, school teachers and medical workers are eligible; and,
- patients referred by the Federation of Greek Communities are eligible.

The distributing organizations report that as the lists of target groups is quite inclusive, and because participating facilities tend to be found in poorer areas, there are very few cases when they see patients who are not entitled to the free medications.

During distribution, healthcare facilities are required to maintain or submit the following:

1. an on-site inventory journal;
2. copies of completed prescription forms (for outpatients);
3. medicine dispensing journal (for inpatients); and,
4. monthly consumption forms.

The inventory journals are kept at the medicine storage area and maintained by the facility's pharmacist. Receipts, disbursements and balances of received medications are recorded in the journals.

Medications are dispensed by the pharmacist to outpatients on the basis of prescription forms. IRD and UMCOR distribute these forms free-of-charge to participating healthcare facilities. SAE requires organizations to provide their own forms. The prescription forms are issued and signed by the attending physician in three copies, one of which is provided to the grantee for monitoring purposes. For hospital inpatients as well as small ambulatories without a pharmacist, prescription forms are not used. Instead, the prescription information is entered directly into the dispensing journal of the hospital department or ambulatory.

Periodic consumption reports are submitted by the healthcare facilities to the distributing organizations (see Annex 7). The forms summarize receipts, disbursements and balances for each medicine in the healthcare facility's inventory. IRD and SAE require reports on a monthly basis while UMCOR requires them quarterly. Information from the monthly consumption forms is consolidated by the distributing organizations to gauge demand for future orders from abroad.

Monitoring

The distributing organizations perform monitoring visits to healthcare facilities on a regular basis. In the cases of IRD and SAE, monitoring is performed monthly for facilities with high consumption and at least quarterly for the rest. UMCOR performs monitoring of all facilities on a quarterly basis and more often if facilities have shown tendencies to not follow program procedures.

Table 4 presents the number of monitoring visits performed by distributing organizations.

Table 4

Monitoring Visits					
	2001	2002	2003	2004	Total
IRD	53	567	898	878	2,396
UMCOR	269	247	236	200	952
SAE	-	-	not reported	not reported	not reported
Total	322	814	1,134	1,078	3,348

Source: Questionnaire administered to DOS distributing organizations

During monitoring visits, the distributing organizations check the following:

- **storage area** – should be secure and separate from other medicine stocks;
- **inventory journal** – complete and up-to-date, look for higher/lower than expected consumption rates;
- **actual medicine stock** – do actual count of one or two medicines and compare to inventory journal;
- **prescription forms** – completeness and correctness,
- **end-user check** – calls made to 5% random sample of end-users shown on prescription forms (hospital in-patients are interviewed directly).
- **information postings** – list of free medicines available and distributing organization's log should be clearly posted;

In addition, the monitors meet with healthcare facility staff discuss problems noted during the monitoring visit and receive feed back.

The results of the monitoring visit are recorded on a special monitoring form (see Annex 8).

Copies of completed prescription forms are provided to the distributing organizations. IRD and SAE analyze the forms for completeness as well as correctness. Points checked for correctness

are: 1) appropriateness of medicine to the illness; 2) over or under dosage; and, 3) prescription of incompatible medicines.

UMCOR examines the forms only for completeness.

Table 5 shows the results of prescription form monitoring.

Table 5

	2001	2002	2003	2004
IRD	-	8.95%	1.15%	2.10%
UMCOR	0.01%	0.02%	0.04%	0.01%
SAE	-	-	not reported	not reported

Source: Questionnaire administered to DOS distributing organizations

The higher error rate for IRD reflects the greater scrutiny given to prescription forms. Also notable is the drop in errors noted by IRD after the first year of the program. This is attributable to various training programs which are provided by IRD, but which are not part of the other organizations' projects.

Staffing

All distributing organizations require that program managers and monitors have medical doctor degrees and prefer that they have clinical experience. Minimum salaries are USD 360 gross per month, with increases based on time-in-service and assumption of additional responsibilities. Program managers are typically responsible for other programs as well, while monitors are generally dedicated to the DOS programs. UMCOR employs two fulltime monitors, IRD employs two fulltime and one part time, and SAE has one.

Program Evaluation

All organizations receive regular visit from headquarters staff and DOS officials. However, none of the programs conduct formal evaluations either internal or external.

Perspectives from Other Stakeholders

Ministry of Health

The Government of Armenia doesn't have enough resources to supply medicines to vulnerable groups as obligated under its Basic Benefit Package. Therefore, it considers DOS programs as critical in the short term for meeting the needs of the population. The Ministry is generally pleased with the conduct of DOS programs and is unaware of any instances of abuse.

The Ministry would like to see improved coordination between itself and DOS distributing organizations. Because of the requirement for distributing organizations to receive approval before shipping humanitarian medicines, the Ministry is aware of the amount of humanitarian drugs brought in to the country. However, they do not receive information from distributing organizations as to the amount distributed to individual institutions.

The Ministry notes that the Central Drug Supply Tracking System, a computerized database recently instituted within the Ministry through a USAID-funded project, holds promise to improve coordination. The system, which tracks humanitarian medicines possessed by the Ministry as well as private organizations such as IRD and UMCOR, is technically capable of providing all the information which the Ministry needs in order to fully manage the flow of humanitarian medicines. However, there are no arrangements in place to compel private organizations to supply information to the system on a regular basis.

The Ministry also desires to perform monitoring and evaluation programs of DOS and similar medicine distribution programs implemented by private organizations. They plan to organize such a program during 2005. This effort might involve asking DOS distributing organizations to share transportation with Ministry monitors during the course of their regular field visits.

The Ministry noted that disposal of expired drugs is a problems which affects all distributors of humanitarian medicines. Currently, there are no regulations in place for such disposal. Deputy Minister Tatul Hakobyan reported that regulations have been drafted and will be adapted as part of a broader law on hazardous materials handling. Mr. Hakobyan noted that the World Health Organization estimates average costs of USD 1,600 per ton for disposal. He added that there are currently 100 tons stockpiled for disposal in Armenia.

USAID

The USAID Health Unit was unaware of any abuses related to DOS medicine distribution programs. They provided background regarding the Central Drug Supply Tracking System which was implemented through the USAID-funded “Deliver” program. The Program is a worldwide effort to improve the delivery of medicines and supplies, particularly prophylactics. The USD 260,000 allocated to Deliver for Armenia was directed towards this tracking system for humanitarian medicines.

Healthcare Facilities

Eight participating healthcare facilities were visited during the course of this study (5 within and 3 outside of Yerevan). They were universally supportive of the programs, citing the difficulty their patients would have obtaining medicines without assistance. All of the facilities expressed a desire to receive a wider variety and greater amount of medications.

Conclusions and Recommendations

Overall, DOS humanitarian medicine distributions programs are exceptionally well implemented by IRD, UMCOR and SAE. Every single unit of medicine is well-tracked from its entry in to the country down the dispensing healthcare facility. Sampling of patients at the 5% level affords an adequate level of assurance that the medicines are being dispensed free-of-charge and in accordance with program conditions. As an added measure, the requirement for the healthcare facilities to post the lists of beneficiary groups eligible for free medicines, medicines available and the name of the distributing organization, ensures that patients have a basis for demanding proper implementation of the program.

By carefully gauging demand, sharing medications amongst themselves and by accepting returns and re-distributing to more needy facilities, the distributing organizations ensure that losses do to medicine expiration are kept to a bare minimum.

The Ministry of Health's approval of medicines before importation ensures transparency on the part of distribution organizations when deciding which medicines to import for humanitarian distribution. This lessens the chances of influence by commercial interests on the selection of humanitarian medicines.

The single deficiency noted is the lack of formal internal program evaluation on the part of all three distributing organizations. A modest annual or bi-annual evaluation by a trained expert not working within the program would lend a useful fresh perspective regarding the adequacy of program procedures. This would also be an effective way to spot program abuse should it ever occur.

Annex 1

STATEMENT OF WORK

The Grantee shall perform the following tasks:

1. Conduct a survey of the Department of State Humanitarian Medical distribution projects currently being executed in Armenia. This survey should be conducted in light of the recent criticism of the local Ministry of Health officials and the manner in which they have handled the distribution of humanitarian medicines in Armenia. The survey should be limited to the distribution of medicines and pharmaceuticals, and should address the following:
 - Medical distribution projects since January 1, 1998 including medical distribution programs of the following Department of State current grantees: International Relief and Development (IRD), United Methodist Committee on Relief (UMCOR), The World Council of Hellenes (SAE) as well as individual air shipments of CitiHope International (1998-1999-2000)
 - Procedures used by DOS Grantees on the reception, storage, distribution, and monitoring of humanitarian medicines shipments.
 - A sampling from regions outside of Yerevan (it is not necessary, however, to include all regions of Armenia).
 - Opinions and reports from third party individuals, such as local medical personnel, Ministry of Health officials, American Embassy officials, etc.
2. Preparation and submission of a written report (in electron form) to Director Humanitarian Programs, Department of State and the U.S. Ambassador to Armenia NLT six weeks after commencement of this grant. The report should:
 - Indicate whether or not the Department of State medicine distribution programs are vulnerable in any way to recent abuse identified in the pharmaceutical sector
 - Describe a process and establish the results of current practices; it is not expected to recommend new approaches for distribution.
3. For the purpose of this survey, it is not necessary to travel outside of Armenia.

Annex 2

List of Persons Contacted

(in alphabetical order)

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Annex 3

Investigative Journalists of Armenia (www.hetq.am)

Part I

March 5, 2004

Humanitarian medicine was intentionally left to expire



Out of the entire amount of medicine that entered Armenia as humanitarian assistance in 2001-2002, one billion drams worth expired before it could be used. In May 2001, Artashes Bisharyan was appointed head of the Department of Medical and Technological Supply of the Ministry of Health. He is the founder of Deghabaza Yerevan, Ltd., and was also the chairman of the Association of Pharmacists at the time of his appointment. Between August 2001 and November 2002, Artashes Bisharyan's department was in charge of the distribution of medicine sent to Armenia through humanitarian channels. During the same period, one billion drams worth of medicine expired. The main reason for the expiration was the promotion of the local pharmaceutical business; in other words, drug distribution was delayed

intentionally, to protect local businesses.

In 2003, drug distribution was carried out by the Center for Humanitarian Assistance of the Ministry of Health. 1.3 billion drams worth of medicine was distributed; 40 million drams worth expired.

In the fall of 2002, the Ministry of National Security carried out an inspection of the Center for Humanitarian Assistance and in December 2002 the results were sent to the Office of the Prosecutor General. In July 2003 an action was brought against the Center. In October 2003, the Prosecutor's Office requested an inspection by the Supervision Department of the Ministry of Finance.

What really happened? Artashes Bisharyan was engaged in the pharmaceutical trade through his company Deghabaza Yerevan, Ltd. When there were stocks of specific drugs at the Center for Humanitarian Assistance, only a part of them were distributed among the republican clinics, in order not to harm companies that traded in these drugs.

Period	Distributing organization	Value of expired medicine
January-August 2001	Ministry of Health Department of Medical and Technological Supply	139,000,000 drams
August 2001 - January 2002	Ministry of Health Department of Medical and Technological Supply (Head - Artashes Bisharyan)	241, 682,853 drams
January-November 2002	Ministry of Health Department of Medical and Technological Supply	687,433,400 drams

	Supply (Head - Artashes Bisharyan)	
2003	Ministry of Health Republican Center for Humanitarian Assistance (Director - Armen Hovsepyan)	40,000,000 drams

Now let's see which drugs expired while the department headed by Artashes Bisharyan was distributing the humanitarian medicine. Zitromax is an antibiotic in widespread demand. In 2001-2002, 200 million drams worth of Zitromax expired. Tricor is for cardiac diseases and cholesterol. 300 million drams worth of Tricor expired as well. This drug is in widespread demand among the elderly; thus tens of thousands of pensioners were denied the possibility of getting this drug free of charge. Keppra is for psychiatric illnesses, and is in great demand in psychiatric hospitals. 54 million drams worth of Keppra expired. 55 million drams of Zofran (for cancer treatment) expired. Thus state officials wasted drugs that came to Armenia as humanitarian assistance in order to promote their own and their friends' businesses.

We haven't yet been able to find out which specific organizations sent these and similar drugs, or whom the State purchasing agency bought these drugs from.

The Republican Center for Humanitarian Assistance of the Ministry of Health is in charge of the humanitarian assistance sent to the Ministry of Health by the United Armenian Fund (USA) and other donor organizations - it stores, itemizes and distributes the assistance. All drugs and medical supplies are registered and catalogued, which makes it possible to check the availability and the quantity of the remainder of any drug at any given moment.

The December 18, 2000 Order # 726 of the Minister of Health established procedures for the distribution of humanitarian assistance. The ministry itself carried out the distribution. The donor organizations sent the lists of the available medicine in advance; they were examined, compared with the demand by the ministry, and sent back to the donors. The lists of the humanitarian medicine and medical supplies imported to Armenia were approved by the Ministry of Health. In this way, there were to be no surpluses of any given drugs.

To be continued.

Edik Baghdasaryan

Part II

March 12, 2004

Humanitarian medicine was intentionally left to expire - 2



See also: [Humanitarian medicine was intentionally left to expire](#)

The December 11, 2003 Order # 1283-A of the Minister of Health established a commission to draw up an inventory at the Republican Center for Humanitarian Assistance. E. Ekmedjyan was appointed chairman of the commission. He is a member of the Armenian Association of Pharmacists. Another member of the commission, L. Isakhanyan, is the director of Levon and Lamara Pharmacy, Ltd. Not only are these men representatives of the pharmaceutical network, but they are Artashes Bisharyan's

schoolmates as well. The ministry selected as its experts people who export and trade in medicine and medical supplies.

On February 12, 2004 the Aravot daily published a piece of news-based on documents presented by Bisharyan himself-that refutes information regarding criminal proceedings instituted against him. Strange as it may sound, Bisharyan also presented a document from the Prosecutor's Office stating that no criminal charges had been brought against him.

Nevertheless, criminal proceedings were instituted against Health Ministry employee Artashes Bisharyan. Moreover, the deadline for the preliminary investigation was twice postponed. Under Artashes Bisharyan, medicine for the public health service was purchased from his own company, and medicine provided as humanitarian aid was intentionally left to expire, in order to promote the pharmaceutical businesses of Bisharyan and his friends.

It should also be noted that the licenses for importing medicine to Armenia were granted by the chairman of the Association of Pharmacists, again Artashes Bisharyan. In other words, the gathering of information on all kinds of medicine imported to Armenia, their prices, and their demand and supply also went through Bisharyan. Therefore, the expiration of one billion drams worth of humanitarian medicine can be traced directly to deliberate actions by Bisharyan.

Our attempts to obtain clarification of this issue from the office of the United Armenian Fund (USA) have thus far been unsuccessful.

But we do have at our disposal a copy of this August 12, 2002 letter from UAF employee Nouritza Abujamra, addressed to Artashes Bisharyan:

"Thank you for forwarding the distribution report for medicines and medical supplies sent to the Health Ministry on airlifts 113 and 114.

Upon reviewing the report and adding up all the quantities distributed, we noticed that very minimal quantities were distributed. Please note the last two columns of the enclosed report, which I had added. The "Total Qty. Distributed" shows the total number of bottles and boxes distributed. The following column "Qty. Not Yet Distributed" shows after more than one year of arrival of these medicines how much still is left in the warehouse, which is the bulk of the quantity sent. Most of the undistributed products cannot be used now because of their expiry dates. Could you explain to us why only very limited quantities are distributed?

We have noticed also that there are many hospital names among the recipients. We often receive in our office medical professionals from Armenia that visit Los Angeles, all expressing their dire need for medicines. Yet when we send medicines, the distribution report shows limited recipients. Please clarify this point too.

Forwarding this report in its present format to Catholic Medical Mission Board will be more negative than positive and will affect on future donations for Armenia from them.

Waiting to hear your explanations as soon as possible."

We don't know how the head of the Department of Medical and Technological Supply of the Ministry of Health, Artashes Bisharyan, responded to this letter. But the story doesn't end here. We have also found out that the Department of Medical and Technological Supply has been distributing the medicines in gross violation of regulations.

To be continued.

Edik Baghdasaryan

Part III

March 18, 2004

Humanitarian medicine was intentionally left to expire - 3

See also: [Humanitarian medicine was intentionally left to expire](#), [Humanitarian medicine was intentionally left to expire-2](#)

When the ministry of health was moving into new offices in Government Building #3, a package of documents disappeared. The lost documents were related to the lists of medicine to be sent to Armenia by the United Armenian Fund (USA), including, among other things, a list of medicine and medical supplies that the fund was in a position to send, and a list of the medicine that was needed in Armenia, presented to the UAF by Artashes Bisharyan. It was clear from these documents what kinds of medicine Artashes Bisharyan had advised donors not to send to Armenia, describing them as not being in demand. We have learned that the heads of at least twelve clinics testifying before the Prosecutor's Office a year ago stated that they had not been given the medicines they needed by Artashes Bisharyan, although they were available at the Humanitarian Center.

We met with some of these doctors, but they were unwilling to discuss the matter publicly. "Bisharyan told me, 'Take what we give you and go and do your job and keep your head down'", one clinic chief who refused to give us his name told us. A number of clinics went to the Department of Medical and Technological Supply of the Ministry of Health to ask for medicine, but they were turned down. The reason was the fact that these drugs were imported either by Bisharyan's company, Deghabaza Yerevan, or by the companies of his friends. Artashes Bisharyan controls the entire pharmaceutical market of Armenia. Supply and demand, and the prices of all kinds of medicine imported to Armenia are determined with his active participation, as the chairman of the Association of Pharmacists. He grants the licenses for importing medicine to Armenia and decides which organization should import any given drug.

This influential official from the Ministry of Health has been "regulating" the field for years now. In 2002, the Prosecutor's Office attempted to bring an action against Bisharyan. Prosecutor Alik Sirunyan was in charge of the case, but it was dismissed for unknown reasons.

Also in 2002, as head of the Department of Medical and Technological Supply of the Ministry of Health, Artashes Bisharyan supplied Polyclinic #2 in Hrazdan with a portion of the humanitarian medicine sent to Armenia. But this polyclinic had been closed, within the framework of the health system optimization program. Bisharyan signed documents providing the closed polyclinic with 26 million drams (about \$46,000) worth of medicine. We are working on finding out which pharmacies these drugs were sold through.

To be continued.

Edik Baghdasaryan

Part IV

April 5, 2004

Humanitarian medicine was intentionally left to expire- 4

Out of the entire amount of medicine that entered Armenia as humanitarian assistance in 2001-2002, one-billion-drams-worth expired before it could be used. Between August 2001 and November 2002, the Department of Medical and Technological Supply of the Ministry of Health headed by Artashes Bisharyan was in charge of the distribution of medicine sent to Armenia

through humanitarian channels. The main cause of the expiration was the promotion of the local pharmaceutical business; in other words, drug distribution was delayed intentionally, to protect local businesses.

On May 23, 2004 Aravot daily published a piece entitled "The Comments are Groundless", in which Artashes Bisharyan responded to our, as he put it, "accusations". It is strange, to say the least, that after the publication of his comments Bisharyan still holds his office. Based on his explanations, the Prosecutor's Office should have at least initiated a new inquiry and instituted charges against both Bisharyan and former Minister of Health Ararat Mkrtchyan.

Bisharyan discussed the objective and subjective causes of this situation. "In May 2001, the medicine flown in by the United Armenian Fund (flight # 113) was held by the customs department for more than two months, because they alleged that the psychiatric drugs on board had been smuggled in. Thus, humanitarian drugs that already had a short period until expiration had expired by the time they entered Armenia," Bisharyan claimed. This was the objective reason. But this is simply not true, since there were no drugs with two-month expiration dates among the humanitarian medicines sent to Armenia. And the expiry periods for the psychiatric drugs mentioned by Bisharyan were up to fourteen months. We have tried to get an answer to this question from Harut Sasunian, the chairman of the United Armenian Fund. He has promised to get back to us.

Artashes Bisharyan also referred to the subjective cause for the expiration of the drugs. "When I was appointed head of the Department of Medical and Technological Supply of the Ministry of Health, I felt from the beginning that there were expired medicines that had accumulated and, for unknown reasons, they were still being distributed. I informed the minister of this, I even wrote some six or seven reports stating that it was necessary to itemize the humanitarian medicine and to audit the center. They didn't do it. In addition, the quantities supplied by us were altered - raised or lowered - at the warehouse of the Center for Humanitarian Assistance. The numbers in their reports did not correspond to our numbers. I informed my supervisors about all this but nothing was done about it, and now it turns out that I am to blame." So Artashes Bisharyan, who took the Hippocratic oath, knew that expired medicine was being distributed among the clinics, and merely informed his supervisors. They didn't do anything about it, and he himself didn't even try to prevent the crime. During his tenure the practice of distributing expired medicine has continued. It is not clear why the prosecutor's office has not tried to find the patients who were given expired drugs. What if those patients got sicker, or died, because of the medicine they took?

Discussing the expiry dates of the humanitarian medicine, Bisharyan said, "We receive these medicines mainly from the United States, and only one or two percent of these drugs are registered in our market. And while we are explaining what kind of drugs they are, how they are used, their already short expiry dates come to an end."

We should point out, however, that months before these medicines arrive, the Health Ministry and the United Armenian Fund co-ordinate with each other the denominations of the drugs to be sent to Armenia. There have been instances when the Health Ministry has refused to accept a certain drug.

We have also reported that Artashes Bisharyan signed documents providing Polyclinic #2 in Hrazdan with 26 million drams (about \$46,000) worth of medicine. But this polyclinic had already been closed within the framework of the health system optimization program. Here is what Bisharyan had to say about this:

"How can I refuse to give medicine to the clinic if its chief medical officer comes with the necessary certificate and the polyclinic's seal to get the drugs. I was never been informed either verbally or in writing that the polyclinic had been closed." But as an official of the Ministry of Health, he had first-hand knowledge of the optimization program (the list of the clinics to be closed within the framework of the health system optimization program sits on his desk). Moreover, his ex-wife, Melsida Gasparyan, accepted the medicine on behalf of this polyclinic. She was subsequently arrested, and is now imprisoned in the Abovian women's jail. In reality, this woman fell victim to Artashes Bisharyan.

Bisharyan's explanations do nothing to dispel suspicions that the humanitarian medicine was intentionally left to expire. When we compared the Humanitarian Center's list of expired medicine with the list of medicine sent to Armenia, we discovered some interesting facts in response to which Bisharyan will again, no doubt, offer interesting explanations. Among the expired medicine were Dilacor 240 mg # 500 (500 boxes), worth 7.5 million (about \$ 14,000) drams, and Dilacor 18 mg # 100 (1,943 boxes), worth 3.4 million (about \$ 6,400) drams. It turns out that during the same period of time the same medicines were imported into Armenia by Bisharyan's company, Deghabaza Yerevan, Ltd. We are trying to find out the names of the organizations that exported these drugs during the period when the humanitarian medicine was left to expire, and who else besides Bisharyan benefited from making the humanitarian medicine expire in order to sell the imported drugs.

The documents at our disposal have brought another fact to light as well. It was not only humanitarian medicine that was left to expire thanks to the efforts of Bisharyan, but also three denominations of drugs acquired by the State Purchasing Agency. These were drugs for treating tuberculosis - Pirazinamid and Lorazepam, and the psychiatric drug Moditen Depo.

Thousands of socially vulnerable families had no money to buy medicine, and at the same time the Humanitarian Center of the Ministry of Health was leaving this medicine to expire.

Edik Baghdasaryan

Part V

July 20, 2004

Expired humanitarian medicine: Even the president got involved

Hetq has reported on how humanitarian medicine sent to Armenia was intentionally left to expire by officials from the Ministry of Health (<http://www.hetq.am/arm/society/h-0304-drugs2.html>, <http://www.hetq.am/arm/society/h-0304-drugs1.html>). The Republican Center for Humanitarian Assistance of the Ministry of Health is in charge of the humanitarian assistance sent to the Ministry of Health by the United Armenian Fund (USA) and other donor organizations – it stores, itemizes and distributes the assistance. In 2001-2002, one billion drams worth of humanitarian drugs sent to Armenia expired. Between August 2001 and November 2002, Artashes Bisharyan, the head of the Department of Medical and Technological Supply of the Ministry of Health, was in charge of distributing this medicine.

The main reason the drugs were left to expire was to promote the local pharmaceutical business; in other words, drug distribution was delayed intentionally, to protect the businesses of Bisharyan and his friends.

We have also reported that Artashes Bisharyan supplied Polyclinic #2 in Hrazdan, which was already closed down at the time, with 26 million drams (about \$46,000) worth of medicine within the framework of a health system optimization program. The court in Sevan is currently examining this case but Bisharyan, who signed the documents providing the polyclinic, which he knew to be closed, with the drugs, is not named in it. The Ministry of Finances has concluded its audit of the Center for Humanitarian Assistance of the Ministry of Health, and according to our information, has not revealed any “significant” violations.

On July 13, 2004 President Robert Kocharyan discussed this matter during his meeting with Prosecutor General Aghvan Hovsepyan, but we have no information on the substance of the discussion. Two days before that, Robert Kocharyan had met with the Chairman of the United Armenian Fund, Harout Sassounian. During that meeting, issues related to the efficient and fair distribution of humanitarian medicine were discussed.

As we have reported, a criminal investigation into the case of the expired medicine has been instituted by the Prosecutor's Office. We managed to learn one very strange fact - Artashes Bisharyan, under whose supervision one billion drams worth of humanitarian drugs sent to Armenia expired, has not testified in the prosecutor's office so far. He was called into the prosecutor's office once, in 2003, but he refused to appear.

Thus, it is possible for some to ignore the orders of even the prosecutor's office in Armenia, and the likely outcome of this story will be that no one will be punished for deliberately wasting the humanitarian medicine intended for thousands of socially vulnerable families.

Edik Baghdasaryan

Part VI

August 18-25, 2004

Humanitarian medicine was intentionally left to expire-5: Bisharyan resigns

Hetq has reported that out of the entire supply of medicine that entered Armenia as humanitarian assistance in 2001-2002, one billion drams worth expired before it could be used. (**See also:** [Humanitarian medicine was intentionally left to expire- 4](#), [Humanitarian medicine was intentionally left to expire – 3](#)).

In a recent development, the head of the Department of Medical and Technological Supply of the Ministry of Health, Artashes Bisharyan, who was in charge of the distribution of medicine sent to Armenia through humanitarian channels, handed in his resignation. Minister of Health Norair Davidyan accepted it, and Bisharyan was dismissed from office. Over the last year, the Office of the Prosecutor General of Armenia, the Ministry of Finance and the President's Supervision Service have carried out inspections and investigations of the Department of Medical and Technological Supply, attempting to find out what led to the waste of such a large quantity of medicine.

We have been informed by the Office of the Prosecutor General that the criminal investigation into this case is not yet closed. As we wrote before, Artashes Bisharyan has not been questioned by investigators so far. He was called into the Prosecutor's Office once, but failed to appear.

Edik Baghdasaryan

Annex 4

UMCOR Needs Assessment Form

Pharmaceutical Assistance Project 2004

Need Assessment Form

Health Care Facility _____

Address _____

Head of Health Facility _____

Health Care Personnel

General Physician(s) _____

Pediatrician(s) _____

Specialist(s) _____

Distance from the regional
(if village)/marz (if town)
center

Attached health posts (if
any) (name, location,
distance)

Population served

Total # _____

in attached post(s) _____

Age distribution

0 - 1 _____
1 - 15 _____
15 < _____

Gender Distribution

Male _____
Female _____

refugees _____

Total # disabled _____

visits per month/year

for children _____
for adults _____

Information about humanitarian assistance provided by other organizations

Organization	Frequency of provided assistance (times /year)	Type of Assistance (medicines, supplies, food, etc)	List of provided medicines supplies (if any)

--	--	--	--

Data on morbidity and mortality

Morbidity

	# patients
Hypertensia	
CHD	
CVD	
Respiratory Diseases	
Gastrointestinal Diseases	
Urological Diseases	
STDs	
PIDs	
Oncological Diseases	
Diabetes	
Type I	
Type II	
Arthritis	
Psychiatric Disorders	
Skin Diseases	
Allergic Diseases	
Infectious Diseases	
Children's Diseases	
Accidents	

Disease group (cardiovascular, respiratory, psychiatric, etc)	# patients

Mortality

deaths during the previous year (among adults) _____

deaths during the previous year (among infants) _____

Health threatening factors:*Remarks:*Quality of water ☐

Air pollution ☐

Poor sanitation ☐

Poor Diet ☐

Threat of malaria ☐

☐Pediculosis ☐

☐Scabies ☐

Others

For hospitals only

beds _____

Occupation rate _____

Department	# of beds	Occupation rate for each department

Pharmaceutical Needs

Anti-Infective Medicines

Penicillins ☐Cephalosporins ☐Sulfonamides ☐Anihelmints ☐Antifungals ☐Antimalarials ☐Antituberculars ☐Antivirals ☐

Others _____

Cardiovascular System Medicines

Antihypertensives ☐Antiarrhythmics ☐Antianginals ☐

Others _____

Anti-Inflammatory
Medicines ☐

Analgetics and antipyretics ☐

Anticonvulsants ☐

Antidepressants
Respiratory Tract
Medicines ☐

Antihistamines ☐

Bronchodilators ☐

Expectorants and
antitussives ☐

Others _____

Gastrointestinal Tract Medicines

Antacids ☐

Antiulcer drugs ☐

Others _____

Diuretics ☐

Ophthalmic Medicines ☐

Otic Medicines ☐

Nasal Medicines ☐

Topical Medicines

Local anti-infectives ☐

Scabicides and
pediculicides ☐

Topical Corticosteroids ☐

Vitamins and Minerals ☐

Annex 5 UMCOR Contract

AGREEMENT

Date: _____ 2004

This Agreement is signed by and between _____

Health Facility, represented by the Head of Health Facility _____, acting in accordance with the Charter, and the Health Department of Armenian Branch of USA NGO United Methodist Committee on Relief (hereinafter referred to as UMCOR), represented by Deputy Head of Mission Gohar Grigoryan, acting in accordance with the Charter (hereinafter separately and together the “Party or Parties”) have agreed to the following:

1. THE SUBJECT OF THE AGREEMENT AND OTHER GENERAL ISSUES

- 1.1 The goal of this Agreement is to confirm the obligations of the parties of the Agreement and to verify the work policy of UMCOR’s Pharmaceutical Distribution Program.
- 1.2 According to this Agreement, UMCOR will deliver medicines and medical supplies to the above-mentioned Health Facility.
- 1.3 The delivered medicines and medical supplies remain the UMCOR’s property until they are prescribed to the patients or used.
- 1.4 The Health Facility acts as a distributor of UMCOR’s delivered medicines and medical supplies for its patients free of charge.
- 1.5 The Health Facility does not record the delivered medicines and medical supplies as a balance sheet item but presents in the non-balance as the responsibility of supply storage to be distributed on behalf of UMCOR.
- 1.6 The Health Facility should keep UMCOR’s medicines and medical supplies separately under UMCOR’s logo and will do separate recording for them.
- 1.7 This Agreement is effective from the time of signing by the parties till Dec 31, 2004.

2. MUTUAL RESPONSIBILITIES OF THE PARTIES

UMCOR is responsible for:

- 2.1 regular/quarterly supply of medicines and supplies upon availability (distribution timeframe could be changed based on the occurred need/consumption rate of previously provided medical stock);

- 2.2 provision of medicine instructions;
 - 2.3 regular monitoring of pharmaceutical distribution through its representatives.
- The Health Facility is responsible for:
- 2.4 dissemination of information on availability of free medicines and medical supplies by posting the UMCOR Logo and the list of medicines and medical supplies on a visible place;
 - 2.5 provision of proper separate storage area for UMCOR medicines and medical supplies;
 - 2.6 provision of UMCOR medicines to the patients free of charge;
 - 2.7 issue of UMCOR medicines to the patients by special prescription forms, which are provided by UMCOR;
 - 2.8 keeping and updating the Inventory Log;
 - 2.9 maintenance of the Consumption Forms on a quarterly basis for recording the stock use and balance of pharmaceuticals;
 - 2.10 support of UMCOR representatives to monitor the Pharmaceutical Distribution Program by providing the access to UMCOR medical stock and to all appropriate documentations, including data about patients served by the given medical facility.

3. CONCLUDING REMARKS

- 3.1 In case of gross violations of the terms stated in this Agreement, UMCOR is authorized to withdraw delivered medicines and terminate the provision of humanitarian assistance to the given Health Facility with written notification to Marzpetaran Health Department.
- 3.2 The agreement can be considered void, if objective circumstances hindering the implementation of the Program occur.
- 3.3 All the cases, which are not regulated by this Contract, should be settled in accordance with the RoA legislation.
- 3.4 The agreement is written in four equivalent copies: two in English and two in Armenian.

UMCOR

Health Facility

Gohar Grigoryan

Deputy Head of Mission
UMCOR

Head of Health Facility

Annex 6**UMCOR Distribution Form****UMCOR - Armenia****MEDICINES AND SUPPLIES DISTRIBUTION FORM**

Health Facility _____

#	Name of medicine or supply	Unit size	Item	Quantity	Total
1					
2					
3					

Delivered by _____

(name, position, signature)

Received by _____

(name, position, signature)

Seal

Date _____

Annex 7

SAE Monthly Consumption Report Form



Monthly Expenditures of Medications Received from the
ocrites Foundation.

Facility name: _____

Reporting month: _____

№	Medication name	Quantity received	Quantity dispensed	Balance
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				

Signature of responsible official _____

Annex 8

UMCOR Monitoring Form

Name of the monitor: _____

Name of the monitored medical facility:

Program name: _____

	Yes	No	Comments
Observation			
UMCOR logo posted			
UMCOR leaflet posted			
<i>The list of available medicines posted</i>			
Check of prescription forms			
<i>Prescription forms were used</i>			
<i>Prescription forms were filled correctly, all information was included in it</i>			
<i>Correspondence of actual quantity for _____ (month) of _____ (name of drug) in prescription forms to the recorded quantity in the inventory log</i>			
Inspection of the stock			
<i>Appropriate conditions for keeping drugs</i>			
<i>Separate place for UMCOR medicines</i>			
<i>Review of the inventory log</i>			
Inventory log complete and correct			
<i>Information about vulnerability recorded</i>			
<i>Check of medicines</i>			
<i>Medicines with discrepancy</i>			
Random check of end-beneficiaries (selected from prescription forms)	Number	Comments	
Number of phone interviews			
<i>Number of interviews through home visits</i>			

<i>Number of patients that confirmed the fact of getting drugs free of charge</i>		
<i>Vulnerability status of interviewed beneficiaries.</i>		

Review of pharmaceuticals that have not been consumed:

Medicines with normal consumption

Medicines with low consumption

Medicines with high consumption

Comments:

Actions taken:**Recommendations:****Problems encountered:****Monitor's Signature:****Date:**